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A Review of *The Real College Debt Crisis: How Student Borrowing Threatens Financial Well-being and Erodes the American Dream*

By Ellie M. Bruecker

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In their book, *The Real College Debt Crisis: How Student Borrowing Threatens Financial Well-being and Erodes the American Dream*, William Elliott III and Melinda K. Lewis explore the effects of federal student loan policy on economic mobility and higher education equity. The authors situate current financial aid policy debates within the context of a “paradigm in crisis,” arguing that the severity of student debt requires a total reimagining of how students pay for college. The book is ambitious and covers a lot of ground: It examines the nature of the student debt problem, highlights the inadequacy of current proposals to solve it, and offers an alternative to student loans as financial aid. Elliot and Lewis propose Children’s Savings Accounts as a policy alternative to improve equity in college access and to offer a debt-free path to college attainment and economic mobility for students who currently fall behind their asset-advantaged peers.

Elliott and Lewis first argue that the current loan-based funding system stifles the economic mobility of students; they enter the labor market with a financial deficit that may take years to overcome. The authors offer their personal narratives to illustrate the real-life consequences of a loan-based financial aid system, though it is worth noting that both authors are university professors and do not represent the typical borrower. The book complements these anecdotal stories with evidence to convince readers that there is a student loan crisis, demonstrating that debt is associated with lower asset accumulation after college. According to their cited research, bachelor’s degree holders without student debt have a greater probability of positive net worth (0.68) than their loan-borrower peers with equivalent degrees and disposable income (0.20). Their central argument is that relying on student loans will only result in more inequitable returns to a college education, where low-income and middle-class students start their adulthood further behind their peers, making the struggle to move up the economic ladder all the more difficult. The authors recognize but reject current policy proposals, like Pay It Forward, free community college, and financial aid literacy, arguing that these merely reform our currently broken student loan system. Instead, the authors advocate for a policy revolution, which shifts financial aid from a debt-dependence system to an asset-empowerment system—one that improves college access *and* uses financial aid as a tool to help students build the assets they need to advance their socioeconomic status.

Salient Themes and Key Points

The idea of “asset-empowerment” is provocative and indeed offers an alternative to the current loan-based (or as the authors call it, “debt-dependence”) system. Elliott and Lewis center their analysis on the idea that any financial aid program must be evaluated not only on its ability to expand access, but also on its effectiveness in increasing college success, attainment, and economic mobility. The authors believe that a debt-dependence system produces disparate economic capacity between students who borrow and students who do not, and thus this system is inequitable. While this may be true, the authors do little to define or clarify this argument beyond the debt vs. no debt dichotomy.

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The authors reject a loan-based system outright, which means they must reject some proposals that have been found to improve educational opportunity. For example, researchers have found that well-targeted aid and information can help students succeed within the student loan system (Bettinger et al., 2012). Though a proposal like this might expand access to higher education, Elliott and Lewis would not find this to be an acceptable solution, as it does not focus strongly on asset accumulation and economic mobility. Solutions that operate within the context of the student loan program, such as need-based federal financial aid, are not successful in building assets for low-income students and would not eliminate the disparities between students with debt and students without debt.

Strengths and Weaknesses

Elliott and Lewis strongly advocate for a policy revolution to redefine financial aid. They level a valid critique of the student loan program and its role in discouraging or preventing borrowers from building net worth soon after leaving college. Their arguments about the inequitable returns on college attainment are well-founded and are certainly cause for concern. Students with loans often take longer to reach positive net worth compared to their peers without debt, and effort and ability do not necessarily result in financial stability after graduation, particularly for those with outstanding student debt. These arguments indeed shift the conversation about financial aid to one that considers more than mere access when developing impactful and positive policies. Financial aid programs *should* seek to improve attainment and asset-building along with access if higher education is to be a true mechanism for elevating one's socioeconomic status.

Despite making the case that reform is needed, *The Real Debt Crisis* under-delivered in terms of evidentiary support. Readers might find themselves agreeing with the basic premise that asset-empowerment matters, but the book falls short in using evidence to support their most important arguments. For example, the authors assume a consensus on the categorization of student debt as a crisis. However, other scholars have argued that average student debt burdens are reasonable relative to expected lifetime earnings, and individuals in crisis are likely to be students who did not earn a degree (Avery & Turner, 2012; Dynarski, 2014). Rather, we might ask how much debt is “too much”? For the book to make a convincing case, this question needs to be addressed. What's more, the authors spend very little space in their book addressing *why* debt-dependence has become common. Rising costs and state divestment are only briefly acknowledged, despite their significant impact on student debt loads. Perhaps one way to ameliorate the debt crisis is to reinvest in public higher education, but the authors never put this argument on the table.

The authors' proposal of Children's Savings Accounts similarly lacks evidence. They suggest their alternative without providing strong evidence of its effectiveness, primarily because studies of Children's Savings Accounts are still in progress and evidence of their efficacy is mixed. The book bases its support for the policy on sociological and psychological research regarding college-saver and college-bound mindsets. The authors identify the college-saver mindset as an important step forward, in which children have affirmed the importance of college by taking current action to begin saving for it. Elliott and Lewis believe this college-saver perspective improves engagement in K-12 education and thus the likelihood of college-going, and Children's Savings Accounts would encourage development of this mindset among low-income children.

While these analyses are important, Elliott and Lewis have not conducted original research to demonstrate that Children's Savings Accounts would be a successful policy in improving actual access, much less economic mobility. There may be a connection between the college-saver mindset and a student's success in accessing higher education, but the authors present a weak argument for Children's Savings Accounts by relying on this research. Elliott and Lewis also cite the preliminary findings of positive outcomes from a pilot program in Oklahoma, SEED OK, but fail to defend the scalability of such a

program to one large enough to replace federal student loans. The authors dedicate only one chapter of the book to the actual policy proposal, leaving many unanswered questions about a suitable structure for the program, an estimate of costs, and expected gains in attainment of degrees and assets. Instead, the authors reject proposals that have provided this information in favor of an unstudied alternative simply because they improve upon the current system rather than replacing it.

Contributions to Policy and Practice

The book does an excellent job of focusing attention toward an under-examined area of financial aid policy. The authors are well reasoned in their contention that the returns on a college education are often stratified by socioeconomic status, and financial aid policies should make stronger considerations of this reality. Financial aid policy certainly should be evaluated beyond mere access, even without the onset of the policy revolution they hope for. However, the book was weak on evidence and offered insufficient support to many of its assertions, resulting in a book that is an opinion piece more than an empirical study. The authors' advocacy for Children's Savings Accounts may spark further research into student loan alternatives such as this one. Perhaps these accounts are in fact the solution to a debt-dependent financial aid system, but we'll need to see the data before we decide.

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